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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of: Kerease Gillman a/k/a Kerease Margita (d/b/a Southwest Bookkeeping Service), and Timothy Gillman, wife and husband, Respondents.	DOCKET NO. S-21082A-19-0222 DECISION NO. 77533 **ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY: RESPONDENTS KEREASE GILLMAN AND TIMOTHY GILLMAN**

Respondents Kerease Gillman and Timothy Gillman ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); admit the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. At all times relevant, Kerease Gillman ("Gillman") was a resident of Arizona and has not been registered with the Commission as a securities salesman or dealer.

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2. Gillman is the sole manager for 2009 Arizona Acquisitions LLC ("2009AA"), 2010 Arizona Acquisitions, LLC ("2010AA"), and 2011 Arizona Acquisitions LLC ("2011AA").

3. 2009AA, 2010AA, and 2011AA are manager-managed limited liability companies organized by Gillman under the laws of Arizona in April 2009, October 2010, and September 2011, respectively.

4. From November 2008 to March 2011, Gillman used word-of-mouth referral, prior business relationships, and the website aztaxlienspecialist.com to offer and sell securities in the form of membership units in 2009AA, 2010AA, and 2011AA within or from the state of Arizona.

5. After purchasing membership units of 2009AA, 2010AA, and 2011AA for a minimum investment of $10,000, investors became members of the investment entities and were entitled to pro-rata shares of the proceeds after five years.

6. In connection with the offer and sale of the membership units, Gillman told investors that she would manage the investment entities and use their investment funds to purchase tax lien certificates at auction and foreclose on the underlying properties to acquire title. Gillman represented that she would dissolve each investment entity five years after it was formed and distribute the properties and other proceeds held by the entity to the investors.

7. Gillman received a total of $315,000 in investment money from sale of twenty membership units of 2009AA, 2010AA, and 2011AA to eighteen investors. From November 2008 to April 2009, Gillman sold nine membership units in 2009AA for a combined total of $167,000; from January 2010 to April 2010, Gillman sold six membership units of 2010AA for a combined total of $80,000; and from January 2011 to March 2011, Gillman sold five membership units of 2011AA for a combined total of $68,000.

8. At the time of purchasing the membership units, each investor signed a purchase agreement and operating agreement (collectively the "Offering Documents") for the entity in which they were investing. The Offering Documents were essentially identical, except for the date, the name of the entity, the name of the investor, and the principal investment amount.

9. The Offering Documents gave Gillman the exclusive power to form and manage 2009AA, 2010AA, and 2011AA and left the investors no direct control over their investments.

10. The Offering Documents authorized Gillman to take an upfront payment of 5% of the total investment amount in 2009AA, 2010AA, and 2011AA. The upfront payment would be offset against a 25% share of the profits upon dissolution of the entities, giving the appearance to investors that Gillman's entire compensation was contingent on her profitable management of the investments.

11. The Offering Documents also authorized Gillman to use investor funds to pay for specified operational costs, including payment of $50 per property to "Southwest Bookkeeping Service" to maintain the records of 2009AA, 2010AA, and 2011AA.

12. Southwest Bookkeeping Service was a business alter-ego of Gillman, and Gillman failed to disclose her relationship with Southwest Bookkeeping Service to investors.

13. As the owner/operator of Southwest Bookkeeping Service, Gillman's upfront compensation was not limited to 5% of the investment capital and her total compensation was not limited to 25% of the profits. Gillman received over $200,000 from 2009AA, 2010AA, and 2011AA without turning a profit for the investors.

14. Gillman's compensation from the operation of the 2009AA, 2010AA, and 2011AA was not contingent on her profitable management of the investment entities as represented in the Offering Documents, but rather her ability to increase accounting costs.

15. When offering and selling the membership units to investors, Gillman also falsely represented how she would spend the money invested in 2009AA, 2010AA, and 2011AA.

16. The Offering Documents provided by Gillman informed investors that 2009AA, 2010AA, and 2011AA would pay $50 per property for accounting services, but Gillman used investor funds to pay Southwest Bookkeeping Service at least $176,151 more than the $50 per property specifically authorized.

17. Gillman also used investor funds to pay for personal expenses unrelated to the operation of the investment entities. Gillman represented that she would use investor funds to purchase tax liens

and did not disclose to the investors that she would take money from 2009AA, 2010AA, and 2011AA to pay for her personal expenses.

18. In connection with the offer and sale of membership units in 2009AA, 2010AA, and 2011AA, Gillman falsely represented that she would dissolve the investment entities five years after they were formed and distribute the proceeds to investors. Gillman failed to disclose that she had the authority to unilaterally extend the life of 2009AA, 2010AA, and 2011AA for indefinite duration.

19. On or about January 4, 2016, Gillman, without the knowledge or consent of the investors, converted 2009AA, 2010AA, and 2011AA into perpetual entities. None of the investors in 2009AA, 2010AA, or 2011AA have received any returns from their investment.

20. Respondent Timothy Gillman has been the spouse of Respondent Gillman since January 2015 and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. § 44-2031(C).

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondent Gillman offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondent Gillman violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondent Gillman violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondent Gillman violated A.R.S. § 44-1991 by making untrue statements or misleading omissions of material facts.

6. Respondent Gillman's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondent Gillman's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondent Gillman's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Gillman and any of Respondent Gillman's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, Kerease Gillman, as her sole and separate obligation, and Respondents Kerease Gillman and Timothy Gillman, but only to the extent of the value of Kerease Gillman's contribution to the community property which would have been Kerease Gillman's separate property if single, shall pay restitution to the Commission in the principal amount of $315,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of ten percent per annum from the date of purchase until the date of this order.

Respondents shall be entitled to set-offs for restitution paid to investors and verified by the Director. If Respondents claim any set-offs to the Order of Restitution, Respondents must prove the

value of any set-offs to the satisfaction of the Securities Division, including, but not limited to, proving the fair-market value of any real property transferred to investors.

IT IS FURTHER ORDERED, that if Respondent Gillman sells any properties owned by 2009AA, all proceeds of the sale of any property owned by 2009AA shall be distributed to the nine investors in 2009AA shown on the records of the Commission.

IT IS FURTHER ORDERED, that if Respondent Gillman sells any properties owned by 2010AA, all proceeds of the sale of any property owned by 2010AA shall be distributed to the six investors in 2010AA shown on the records of the Commission.

IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraphs will accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent, Kerease Gillman, as her sole and separate obligation, and Respondents, Kerease Gillman and Timothy Gillman, but only to the extent of the value of Kerease Gillman's contribution to the community property which would have been Kerease Gillman's separate property if single, shall pay an administrative penalty in the amount of $50,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be applied to the restitution obligation. Upon payment in full of the restitution obligation, payments shall be applied to the penalty obligation.

For purposes of this Order, a bankruptcy filing by Respondents shall be an act of default. If Respondents do not comply with this Order, any outstanding balance may be deemed in default and shall be immediately due and payable.

IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY

COMMISSIONER OLSON COMMISSIONER MÁRQUEZ PETERSON

IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 15 day of January, 2020.

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(MWA)

CONSENT TO ENTRY OF ORDER

1. Respondents admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that Respondents have been fully advised of Respondents' right to a hearing to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order") constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondent Gillman and Respondent Spouse understand and acknowledge that they have a right to seek counsel regarding this Order and that they have had the opportunity to seek counsel prior to signing this Order. Respondents acknowledge and agree that, despite the foregoing, Respondents freely and voluntarily waive any and all right to consult or obtain counsel prior to signing this Order.

5. Respondents admit the Findings of Fact and Conclusions of Law contained in this Order, and by consenting to the entry of this Order, Respondents agree not to take any action or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual basis.

6. Respondents further agree that they shall not deny or contest the Findings of Fact and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)"). They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law

contained in this Order may be taken as true and correct and that this Order shall collaterally estop them from re-litigating with the Commission or any other state agency, in any forum, the accuracy of the Findings of Fact and Conclusions of Law contained in this Order. In the event Respondent Kerease Gillman and/or Respondent Spouse pursues bankruptcy protection in the future, they further agree that in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

A. The obligations incurred as a result of this Order are a result of the conduct set forth in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

B. This Order constitutes a judgment, order, consent order, or decree entered in a state proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by Respondent Kerease Gillman and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by Respondent Kerease Gillman and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

7. While this Order settles this administrative matter between Respondents and the Commission, Respondents understand that this Order does not preclude the Commission from instituting other administrative or civil proceedings based on violations that are not addressed by this Order.

8. Respondents understand that this Order does not preclude the Commission from referring this matter to any governmental agency for administrative, civil, or criminal proceedings that may be related to the matters addressed by this Order.

9. Respondents understand that this Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal proceedings that may be related to matters addressed by this Order.

10. Respondent Gillman agrees that she will not apply to the state of Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative until such time as all restitution and penalties under this Order are paid in full.

11. Respondent Gillman agrees that she will not exercise any control over any entity that offers or sells securities or provides investment advisory services within or from Arizona until such time as all restitution and penalties under this Order are paid in full.

12. Respondent Kerease Gillman and Respondent Gillman's spouse, Timothy Gillman, acknowledge that any restitution or penalties imposed by this Order are premarital debts and the sole and separate obligations of Respondent Kerease Gillman.

13. Respondents consent to the entry of this Order and agree to be fully bound by its terms and conditions.

14. Respondents acknowledge and understand that if Respondents fail to comply with the provisions of the order and this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

15. Respondents understand that default shall render Respondents liable to the Commission for its costs of collection, including reasonable attorneys' fees and interest at the maximum legal rate.

16. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

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Kerease Gillman

Kerease Gillman

Timothy Gillman

Timothy Gillman

STATE OF ~~ARIZONA~~ New Mexico)
) ss
County of Valencia)

SUBSCRIBED AND SWORN TO BEFORE me this 7 day of Dec 2019.

Rhonda Meadors
NOTARY PUBLIC
Rhonda Meadors

My commission expires:

7-18-23

OFFICIAL SEAL
RHONDA MEADORS
Notary Public
State of New Mexico
My Comm. Expires 7-18-23

SERVICE LIST FOR: In re: KEREASE GILLMAN *et al.*, DOCKET NO. S-21082A-19-0222

Kerease Gillman
16 Farmers Way
Datil, New Mexico 87821

Timothy Gillman
16 Farmers Way
Datil, New Mexico 87821

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of: Kerease Gillman a/k/a Kerease Margita (d/b/a Southwest Bookkeeping Service), and Timothy Gillman, wife and husband, Respondents.	DOCKET NO. S-21082A-19-0222 **CERTIFICATION OF SERVICE OF PROPOSED OPEN MEETING AGENDA ITEM**

On this 30th day of December 2019, the foregoing document was filed with Docket Control as a Securities Division Memorandum and Proposed Order, and copies of the foregoing were mailed on behalf of the Securities Division to the following who have not consented to email service.

Kerease Gillman
16 Farmers Way
Datil, NM 87821
Respondent

Timothy Gillman
16 Farmers Way
Datil, NM 87821
Respondent

By: Emie R. Bridges
Emie R. Bridges, Executive Assistant